

How Volkswagen could compensate diesel owners

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By Ron Lieber

Martin Winterkorn, in his statement announcing his resignation as chief executive of [Volkswagen](#) this week, said he was "shocked" and "stunned" that the company had programmed some of its cars to cheat on emissions tests.

But a few days before he gave up his post, he made a promise that Volkswagen would do "everything that must be done" to restore trust in it. Then, just for emphasis, he repeated that the company would do "everything necessary" to undo the damage the episode has caused all of the Jetta, Passat, Beetle, Golf and [Audi A3](#) diesel owners.

Assuming that the company is telling the truth now, how might it try to define "everything" in the coming days? It isn't an easy question to answer, given that no one can be sure what will happen to resale values even after Volkswagen fixes the affected cars. Performance is also likely to be less peppy once the company fixes the emissions.

Moreover, it isn't at all clear how best to compensate people who chose these cars deliberately because they wanted their driving to be gentler on the planet.

Volkswagen isn't saying much yet, so let's consider the possibilities, from most generous to least.

The company could simply buy back all of the vehicles where the fix on the emissions test was in. [US PIRG](#), the federation of state public interest research groups, announced a campaign on Wednesday aimed at pressuring Volkswagen to write checks to owners for whatever price they paid for the vehicles in the first place.

Why not just ask for whatever the cars were worth on the day before news of the scandal broke? Ed Mierzwinski, consumer program director at US PIRG, says that the drivers deserve more.

"In that case, the consumer is getting the value of the car but not being compensated for the harm," Mierzwinski said. "They tried to buy a green, high-performance car and ended up being unwitting participants in a conspiracy to pollute the earth."

Steve Wilhite, who worked for Volkswagen for much of the 1990s and was in charge of marketing in the United States when he departed, contends that a reasonable buyback offer would be the cars' value right before the company confessed.

I asked Kelley Blue Book to run those numbers, and it estimated that Volkswagen would need about \$7.3 billion to buy back all 482,000 of the tainted vehicles in the United States at the price one private party would pay another for the cars. Coincidentally, that is the same amount as the company has set aside for now to deal with the scandal, which is not limited to the United States.

For owners who want to take their chances and keep their current vehicle, Wilhite suggests extending their warranty for two years with unlimited mileage and giving current diesel owners who buy a new one from Volkswagen someday a nontrivial amount of money to put toward a new one.

"Volkswagen should reimburse people if that's what they want, but they should have a right to choose," said [Tony Martins](#), who has owned more than 100 Volkswagens himself over the years and is the resident Volkswagen expert at my old service shop, County Auto Repair in Somerville, Massachusetts. Choice, however, adds to the company's administrative costs, so it remains to be seen whether the company will offer more than one option to consumers.

While there is a precedent for buybacks in one form or another — the Transportation Department forced [Fiat Chrysler](#) to buy back Jeeps two months ago — [Jack R. Nerad](#) of Kelley Blue Book says he doesn't think it's likely that Volkswagen will volunteer to do so. The cost is enormous, and there may be plenty of people willing to take their chances on a repaired vehicle for whatever reason. Nerad suggested that Volkswagen's most likely action would be to offer to fix the cars and write much smaller checks to the owners in the hope of pre-empting class-action lawsuits.

That somewhat muted result would not much surprise singer-songwriter [Vance Gilbert](#). He's the first person I think of when I think about Volkswagen, thanks to his ode in verse and music to the beloved VW Beetle he drove in the first half of the 1980s and repaired with plywood and screws.

"I'm heading towards 60, and I have become a bit of a fatalist," Gilbert said this week. "How organic is our food? What is the efficacy of the medicine we buy over or under the counter? I don't believe VW will go under, and I would never believe that they

would give me a full check for the car of my dreams that wasn't a VW."

Even if it's a partial check, the measurable damage per customer is well into the thousands of dollars. After all, people paid a premium for diesel vehicles (and their fuel) in many instances. Now, there may be a performance loss once the fix is made, not to mention that resale values are not likely to be as high as they otherwise would have been.

Then, there's a trickier question. Many of those who bought the diesel autos were trying to do their part for the environment. Now, the logos on their vehicles have made them brand ambassadors for confessed cheaters, and their cars spew as much as 40 times more pollution than emissions standards permit. How do you compensate somebody for that?

[Edgar Dworsky](#), who runs the website [Consumerworld.org](#), suggested that Volkswagen ought to produce enough clean cars to make up for the damage that its supposedly Earth-friendly cars were causing all along.

But if Volkswagen did go with lowball cash offers to car owners, there's another add-on offer for Volkswagen to consider. Organizations like [JustGive.org](#) let companies buy gift cards that they can give out for various charitable uses.

So now that Volkswagen has put half a million people in the position of polluting far more than they intended, it could give each of them \$1,000 on a gift card and let them redeem it for donations to any environmental charity of their choice. Half a billion dollars could go a long way toward lobbying efforts that might lead to the kinds of rules that would scare auto company employees from ever pulling a stunt like this again.